

FINANCIAL STABILITY

GOAL

Provide a sustainable level of core services that are funded from predictable revenue.

The City is fiscally responsible

So that...

The City can invest in community priorities

So that...

The residents of Kirkland enjoy high quality services that meet the community's priorities

MEASURE	2013	2014	2015	2016	2017	Target
Percent of target balance in General Purpose Reserves	76%	78%	89%	88%	88%	80% of budgeted reserve target
Credit Rating	AAA	AAA	AAA	AAA	AAA	AAA
Percent of funding allocated to high priority services (Stars and Imperatives)	*	94.3%	*	92.3%	*	80% of rated services

* Community Survey conducted in even years

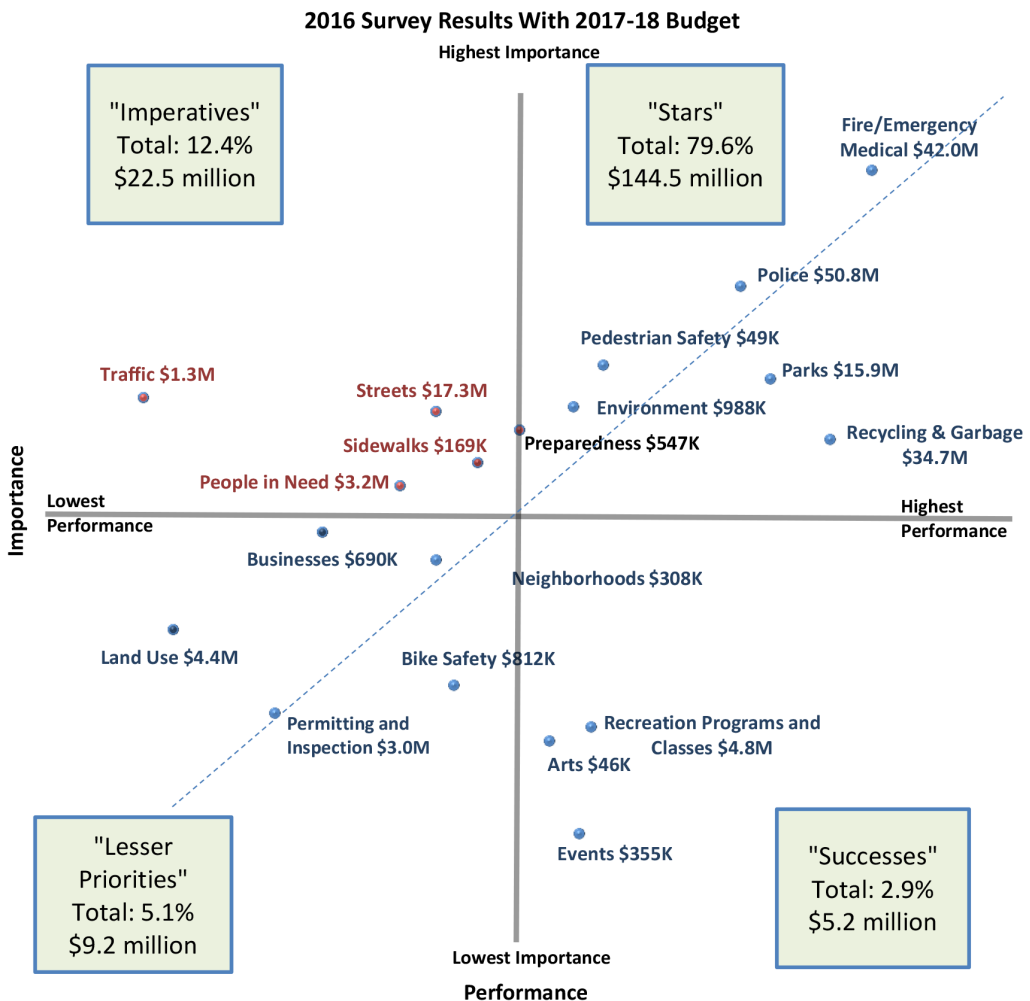


Figure: The Kirkland Quadrant

HOW DO WE MEASURE FINANCIAL STABILITY?

Standard and Poor's credit rating provides an external assessment to the City's financial stability, and this measure is used in partnership with revenue and expenditure forecasts to create a picture of the City's stability.

The City also closely monitors available funding for reserves, which demonstrates the City's ability to respond to basic services through economic cycles and meet unforeseen needs.

HOW ARE WE DOING?

Contingency reserves are used during the economic downturns, and in rare cases for large unforeseen expenditures or revenue reductions. The last time these reserves were used was during the 2008-2011 'Great Recession'. The Council began replenishing reserves with the start of the economic recovery in 2011 and following Council action, the City has continued to increase reserve levels in each subsequent budget, with reserves projected to reach the target by the end of the 2019-2020 biennium.

Standard and Poor's AAA credit rating is the highest rating that can be achieved by a municipality and saves Kirkland taxpayers money through lower interest rates when borrowing. Kirkland has retained its AAA rating in recent

years, including throughout the Great Recession. The rating reflects factors including community demographics, use of best practices and financial strength.

Despite constrained budgets, the City has continued to invest in areas that the community has highlighted as a priority. Further, the City has also made long-term decisions, such as the voter-enacted 2012 Streets and Parks Levies, to facilitate greater spending on areas the community has highlighted as important.

Balancing affordability, sustainability and responsiveness to community needs means that the City is able to ensure improvements are made in a financially responsible manner, while sufficiently prioritizing areas residents are most concerned about.



Annexation Sales Tax Credit Reserve

During the 2017-2018 budget development process, the City Council established an Annexation Sales Tax Credit (ASTC) reserve as part of the City's commitment to financial stability and ensuring adequate levels of reserves. The first contribution to this reserve was scheduled for 2017.

Currently budgeted at approximately four million dollars per year the ASTC represents money received from the State of Washington to help the City with the additional costs associated with running a larger City. The ASTC lasts for ten years, and is set to expire mid-way through 2021. Building reserves is one of a number of proactive steps the City is taking to help offset the loss of this revenue source.

WHAT ARE WE DOING?

Financial stability is essential to the City of Kirkland. The City prioritizes maintaining a stable financial base from which to fund core services, and ensures all major decisions are affordable. Kirkland establishes strong financial management policies by:

- Realistically estimating revenues and expenditures.
- Consistently monitoring and amending the budget based on actual performance.
- Creating a long-term financial plan.
- Ensuring long-term capital improvement funding.
- Managing investments and debt.
- Maintaining reserves to offset economic downturns.

The City's biennial budget is an essential planning document and provides strategic insight into current spending allocations and future spending priorities. The City continues to further integrate the budget with the overall performance management framework to ensure that the spending decisions are responsive to resident needs and council priorities, as well as sustainable and affordable.